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Report to / Rapport au:

**Ottawa Public Library Board
Conseil d'administration de la Bibliothèque publique d'Ottawa**

March 11, 2025 / 11 mars 2025

Submitted by / Soumis par:

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SUBJECT: Fourth Quarter 2024 Financial Status Report

OBJET: Rapport financier du 4e trimestre 2024

REPORT RECOMMENDATIONS

That the Ottawa Public Library Board:

- 1. Receive this report for information;**
- 2. Approve the disbursement of the 2024 operating surplus of \$1,857,404 as follows:**
 - a. \$357,404 of the 2024 operating surplus in Ottawa Public Library (OPL) be transferred to the Library Reserve; and,**
 - b. \$1,500,000 of the 2024 operating surplus in Library Services be appropriated for the purchase of a new Bookmobile through the creation of a new capital account, as further described in this report; and,**

3. Upon the Ottawa Public Library's Board's approval of the transfer and use of the Library operating surplus, direct staff to work with the City's Financial Services Unit to forward the report to the Ottawa City Council, for consideration as part of the Disposition of the 2024 Tax and Rate Supported Operating Surplus / Deficit report through the City's Finance and Corporate Services Committee.

RECOMMANDATIONS DU RAPPORT

Que le conseil d'administration de la Bibliothèque publique d'Ottawa:

1. Prenne connaissance du présent rapport à titre d'information;
2. Approuve le décaissement de l'excédent de fonctionnement de 2024 de la Bibliothèque, qui totalise 1 857 404 \$, aux fins suivantes:
 - a. Transfert d'un montant de 357 404 \$ au fonds de réserve pour la Bibliothèque;
 - b. Affectation de 1 500 000 \$ à l'achat d'un nouveau Bibliobus, par la création d'un nouveau compte de capital selon les modalités détaillées dans le présent rapport;
3. Demande au personnel, une fois le transfert et l'utilisation de l'excédent de fonctionnement approuvés par le C.A., de collaborer avec l'Unité des services financiers de la Ville en vue de transmettre le rapport au Conseil municipal d'Ottawa pour examen dans la foulée du rapport sur le règlement de l'excédent/du déficit de 2024 des opérations financées par les recettes fiscales et les redevances, qui sera soumis au Comité des finances et des services organisationnels de la Ville.

BACKGROUND

In keeping with the *Public Libraries Act, RSO 1990, c.P.44* ("the Act"), other relevant statutes, laws, and good governance practices, the Ottawa Public Library ("OPL") Board ("OPLB" or "the Board") holds accountability for the full range of decisions affecting the organization. The Board approaches its role using a policy or strategy model of

governance that focuses on setting strategic directions and objectives, making decisions on major projects, and monitoring performance. The Board's attention focuses primarily on the long-term needs and goals of the organization, rather than the administrative or operational details.

With respect to financial reporting, OPL's operating and capital status reports are prepared quarterly. Operating reports present actual year-to-date revenues and expenditures against the amounts budgeted for in the corresponding period. Capital reports provide a listing of the capital projects and programs, the authorized expenditure budgets, actual expenditures and commitments incurred to date and the remaining amount to be spent.

The purpose of this report is to present the fourth quarter (total annual) operating and capital results for the 2024 fiscal year, and to seek Board approval for the allocation of the 2024 operating surplus.

DISCUSSION

The following sections provide explanatory notes for each of the appended financial reports.

1. Appendix A – 2024 Q4 Operating Financial Report

- a. At year end, total gross revenues exceeded expectations by 11.2 percent or \$196,061. Library fees generated \$131,077 or 47.7 percent more than planned, with other miscellaneous revenues from restocking fees and interlibrary loans contributing \$68,229 more than anticipated for the fiscal year. Revenues from meeting room rentals were under budget at year end by 15.9 percent or \$10,222. Compared to 2023, total gross revenue in 2024 increased by 6.1 percent.
- b. The Provincial Library Operating Grant (PLOG), administered by the Ontario Ministry of Tourism, Culture and Gaming, provided \$1,380,328 in planned funding at year end. For information purposes, the provincial government transfer amount has remained consistent since 2002 and is received annually in the fourth quarter.

- c. At year end, total gross expenditures (no revenues) were under budget by 2.7 percent or \$1,661,343. For the same period in 2023, total gross expenditures were under budget by 3.1 percent. Reduced compensation expenditures from staff vacancies and the creation of new positions requested in the 2024 budget supporting Central Library operations mainly attributed to this result. Expenditures for library materials were overspent. Unforeseen fleet expenditures were incurred for maintenance and fuel costs. These and other overspent categories combined to offset the surplus result.
- d. At year end, the total net operating budget (including revenue) for 2024 resulted in a 3.2 percent under expenditure or \$1,857,404 surplus. The surplus result is primarily a combination of revenue performance surpassing planned expectations and less-than-anticipated expenditures in compensation.

2. Appendix B – 2024 Q4 External Funds Report

- a. The breakdown of external revenue source balances are as follows: \$569,270 from the Friends of the Ottawa Public Library Association (FOPLA); \$183,359 from general donations; \$340,964 from the Ottawa Community Foundation (OCF); and, \$32,489 from the Sun Life Musical Instrument Lending Library (MILL).
- b. External funds expended were used to enhance Library services across several OPL locations by acquiring new materials to expand or update library collections, musical instrument maintenance to preserve the quality and longevity of the collection, supplies to support a variety of programs, and, to fund author visits for all ages. After revenue and expenses, the 2024 year-end External Funds balance including unspent funds accrued from 2023 is \$546,170.

3. Appendix C – 2024 Q4 Trust Funds Report

- a. On behalf of OPL, the City holds and manages 18 trust funds of varying value. Eight of the trust funds are invested principle amounts from which OPL has access to interest revenue only. The remaining funds also earn interest and are the result of fund development activities with the account balances

entirely available to spend. In total, OPL trust funds managed by the City generated \$1,138,799 in revenue or interest during the fiscal year. At year end, OPL had a balance of \$2.407M available to spend from trust funds.

- b. The Ottawa Community Foundation (OCF) manages several trust fund accounts of varying value for OPL. The annual investment earnings from these accounts are disbursed to OPL in accordance with the fund's agreements. These funds help support OPL services and initiatives, including the acquisition of library materials, furniture, equipment, and technology, as well as programs for adults, children, and newcomers to Canada residing in Ottawa. The OPL Campaign Fund (established December 2022) is held in trust for a period of three years. At maturity (December 2025), the total amount of principal and earnings will be available for expenditure towards the new Central branch at Ādisōke. The 2024 year-end balance for this fund was not available in time for this reporting period and will be updated in the Q1, 2025 Financial Status Report. Using the last known balance of the OPL Campaign Fund, the 2024 year-end external funds balance was \$395,635.

4. **Appendix D – 2024 Q4 Library Board Operating Report**

At the end of 2024, the Board's operating budget was 41.6 percent spent. The under expenditure is mainly attributed to unspent Professional Services. For the same period in 2023, Board expenditures were at 68.3 percent spent.

5. **Appendix E – 2024 Q4 Contract Expenditures Report**

In accordance with the Acquisitions of Goods and Services Procedure, Appendix E contains a list of contracts valued at more than \$25,000 and less than \$500,000 awarded in the reporting period. As per the Delegation of Authority Policy 002- OPLB, (the Policy) the Board approves all operational expenses, leases (single or multi-year with total expenditure within financial authority); single or multi-year tenders or contracts (including any contingencies) per vendor; settlement and lawsuit payments; or software license agreements greater than \$500,000. Contracts awarded based on capital authority delegated to the Chief Executive Officer or other staff based on the financial authority set out in the Policy are also included in Appendix E. The contract expenditures timeframe covered for this report includes Q3 and Q4 2024. The total maximum value of contracts awarded for the period is \$740,903.

6. Appendix F – 2024 Q4 Capital Status Report

Attached in Appendix F is the report on status of capital accounts as of December 31, 2024. Remaining capital balances are at \$33.120M including capital growth projects. One capital account has a deficit balance: the Metcalfe Facility project is overspent, resulting in a net deficit balance of (- \$19,488), or six (6) percent over the authorized account funding. This deficit amount is within the delegated authority of the CEO as per Board Policy 002-OPLB Delegation of Authority, which grants additional authority of up to 10 (ten) percent of the Board approved amount.

7. Appendix G – 2024 Q4 Library Reserve Account Balances

On behalf of OPL and in accordance with City of Ottawa financial policies and bylaws which support the use of reserve accounts, the Financial Services Unit (FSU) administers and maintains six reserve accounts. The Library Reserve account (“the Reserve”) supports operational surplus and deficit outcomes each year as well as unforeseen financial pressures that may arise. Five additional reserve accounts serve as collector accounts for geographically identified areas or legacy development charge funds. Development Charge accounts (“DC accounts”) support the growth or expansion of library services in their respective geographical zones.

- a. The balance of the Reserve as of December 31, 2024 is \$7,542,840. If the recommendations in this report are approved, and accounting for the approved \$2M commitment from the Reserve to fund Central Library Furniture, Fixtures, and Equipment, (OPLB-2024-1105-11.2) the Reserve balance will be \$5,900,244, or 9.53% of the 2025 Operating Budget.
- b. DC accounts consist of monies collected by the City pursuant to the Development Charges Act, 1997, SO 1997, c. 27 – Ontario (“the DC Act”), and City of Ottawa BY-LAW NO. 2019 – 156. These monies are used to invest in Board-approved growth-related projects as prescribed by the DC Act and further by geographical areas as per the By-Law. As of December 31, 2024, all DC Account balances totaled \$39,653,438 exclusive of prior

authorities (commitments) approved by the Board and Council. Total revenue of the five DC accounts in 2024 was \$3,472,421.

8. **2024 Year-End Surplus: Bookmobile Funding**

As identified in this report, Item 1, Appendix A – 2024 Q4 Operating Financial Report, OPL finished the 2024 fiscal year in a surplus position of \$1,857,404. As part of the 2025 budget process (OPLB-2024-1105 - 2025 Draft Operating and Capital Budget Estimates and Four-Year Capital Forecast), the Board was advised that, should funding be available, staff would bring forward a request for the purchase of a bookmobile using a portion of any fiscal year 2024 surplus. The report explained that staff anticipate significant financial pressures in 2026 and 2027, with stabilization in 2028, and that the use of a portion of any surplus to purchase the bookmobile would offset future financial pressures and allow staff to bring a new vehicle online in keeping with the replacement timelines.

OPL currently has two bookmobiles, purchased in 2016 and 2020, respectively. The 2016 item is due for lifecycle replacement in 2026, with a procurement timeline of up to 18 months. The most recent Bookmobile purchase was tendered in 2019 at a cost of more than \$750,000. Current estimates, accounting for year-over-year inflation and continued supply chain and manufacturing impacts of the pandemic, amount to an expenditure of nearly double the previous acquisition. Given the uncertain economic outlook, pending possible tariffs on trade, inflationary concerns on the cost of manufacturing and materials, and related operational pressures, staff recommend \$1,500,000 of the 2024 operating surplus be allocated towards the purchase of a new bookmobile, with procurement to begin in 2025.

CONSULTATION

The development of this report required consultation with the City's Financial Services Unit to ascertain relevant reserve balances and to receive all financial appendices required for financial reporting.

ACCESSIBILITY IMPACTS

Ottawa Public Library complies with the *Accessibility for Ontarians with Disabilities Act*, (2005) in its operations. There are no accessibility impacts associated with this report.

BOARD PRIORITIES

This report aligns with OPL Board Policy OPLB-0010 CEO Reporting and Board Monitoring and OPLB-002 Delegation of Authority. The report falls within the Board core value of integrity and is a fundamental citizen expectation of good governance and stewardship of public funds.

BUSINESS ANALYSIS IMPLICATIONS

There are no business analysis considerations associated with this report.

FINANCIAL IMPLICATIONS

The financial implications of this report are associated with the treatment of the 2024 Library Services operating surplus and the Library Reserve balance as it relates to the Financial Framework. Approval of the recommendations of this report will result in an increase to the Library Reserve of \$357,404 and an ending balance of \$7,900,244, prior to pre-approved withdrawals set for 2025. Additionally, the authority to purchase a new Bookmobile in 2025 alleviates financial pressures originally anticipated in 2027 and allows for improved financial continuity over the following four-year period.

LEGAL IMPLICATIONS

There are no legal implications associated with this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

SUPPORTING DOCUMENTATION

Appendix A – 2024 Q4 Operating Financial Report

Appendix B – 2024 Q4 External Funds Report

Appendix C – 2024 Q4 Trust Funds Report

Appendix D – 2024 Q4 Library Board Operating Report

Appendix E – 2024 Q4 Contract Expenditures Report

Appendix F – 2024 Q4 Capital Status Report

Appendix G – 2024 Q4 Library Reserve Account Balances

DISPOSITION

Upon the Board's approval, staff will work with the City's Finance Services Unit to include the recommendations as part of the Disposition of the 2024 Tax and Rate Supported Operating Surplus / Deficit report through the City's Finance and Corporate Services Committee.

The next quarterly financial status report (January through March 2025 – Q1) will be brought forward to the Board in May 2025.